

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 IO-14 NEA-14 AID-20 CIAE-00

COME-00 EB-12 FRB-03 INR-11 NSAE-00 RSC-01 XMB-07

OPIC-12 SP-03 CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07

SS-20 STR-08 CEA-02 L-03 H-03 PA-04 USIA-15 PRS-01

DRC-01 AGR-20 SWF-02 /206 W
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P 030734Z OCT 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 7340

INFO AMEMBASSY JAKARTA PRIORITY

LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 11859

USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 4/3/75

TAGS: EAID, EFIN, ID

SUBJECT: PROPOSED ADB GRANT TO INDONESIA FOR JAVA ROAD
IMPROVEMENT PROJECT

SUMMARY: ADB MANAGEMENT PROPOSES \$270,000 GRANT TO
INDONESIA TO FINANCE FOREX COST OF FEASIBILITY STUDY
TO DETERMINE OPTIMUM PROGRAM OF REHABILITATION, PMPROVE-
MENT, RECONSTRUCTION AND MAINTENANCE OF A NETWORK ABOUT
1150 KM OF PROVINCIAL ROADS AND ABOUT 2500 KM OF DISTRICT
ROADS IN SEMARANG-SURABAYS CORRIDOR IN NORTH OF CENTRAL
AND EAST JAVA. USADB RECOMMENDS FAVORABLE NAC ACTION.
END SUMMARY.

1. ADB DOC R92-74 DESCRIBING PROPOSED GRANT POUCHED
ADDRESSEES SEPT 20. BOARD CONSIDERATION SCHEDULED OCT. 10.
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2. ADB MANAGEMENT PROPOSING \$270,000 GRANT TO GOVT OF INDONESIA (GOI). PROCEEDS WILL FINANCE FOREX COST FOREIGN CONSULTANTS TO CONDUCT FEASIBILITY STUDY FOR POSSIBLE LOAN FROM THE BANK FOR ROAD PROJECT. PROJECT OBJECTIVES WITHIN THE TRANSPORT SECTOR GOAL OF REHABILITATING AND IMPROVING THE EXISTING NATIONAL ROAD NETWORK UNDER GOI SECOND FIVE YEAR DEVELOPMENT PLAN (1974/75-1978/79). DIRECTORATE GENERAL OF HIGHWAYS (DGH) WITHIN MINISTRY OF PUBLIC WORKS AND ELECTRIC POWER TO BE EXECUTING AGENCY RESPONSIBLE FOR OVERALL EXECUTION OF PROJECT.

3. PROJECT AREA UNDER CONSIDERATION FOR PROPOSED TA ABOUT 20,000 SQ. KM., POPULATION ESTIMATED ABOUT 16 MILLION, PREDOMINANTLY AGRICULTURAL WITH RICE, CORN, CASSAVA, SWEET POTATOES AND SUGAR CANE MAIN CROPS NOW GROWN WITH POTENTIAL FOR MORE DEVELOPMENT. AREA SERVICED BY PROVINCIAL ROADS MOSTLY UNDER-DESIGNED FOR PRESENT TRAFFIC WHICH INCLUDES MANY HEAVY VEHICLES. BRIDGES OLD, NARROW, AND STRUCTURES INADEQUATE FOR MODERN HEAVY LOADS.

4. ACCORDINGLY, LOW LOAD-BEARING CAPACITY AND INCREASING VOLUME HEAVY VEHICLES LEADS TO RAPID DETERIORATION OF ROADS, HEAVY ROAD MAINTENANCE COSTS AND RESULTANT HIGH TRANSPORT COSTS PER TON/KILOMETER. FEEDER (DISTRICT) ROADS MOSTLY UNSURFACED, USUALLY HAVING WOODEN BRIDGES, WITH CORRESPONDING DENIAL OF ALL-WEATHER ACCESSIBILITY TO MANY AREAS.

5. IMPROVEMENT OF ROAD NETWORK IN AREA WOULD BENEFIT LARGE POPULATION, MOSTLY LOW-INCOME FARMERS. ALSO EXPECTED BENEFITS WOULD INCLUDE SAVINGS IN ROAD MAINTENANCE COSTS, DIRECT ROAD USER BENEFITS ATTRIBUTABLE TO HIGHER ECONOMIC ACTIVITY TO BE INDUCED.

6. FOREIGN CONSULTANTS TO BE ENGAGED FOR PROJECTED 8-MONTH STUDY TO DETERMINE FEASIBILITY FOR DETAILED INVESTMENT PROGRAM IN SEMARANG-SURABAYS CORRIDOR UP TO 1978/79 AND PROGRAM SUITABLE FOR FORWARD PLANNING INSUING 5-YEAR PERIOD (1979/80-1983/84).

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7. PROPOSED PROGRAM INCORPORATED IN TRANSPORT AND COMMUNICATIONS SECTOR OF NATIONAL DEVELOPMENT PLAN OF WHICH ROAD TRANSPORT ACCORDED LARGEST ALLOCATION. WITHIN ROAD SUB-SECTOR, REHAB AND IMPROVEMENT OF ROADS AND BRIDGES GIVEN HIGHEST PRIORITY; FEEDER ROAD IMPROVEMENT INCORPORATED IN KABOPATEN (DISTRICT) DEVELOPMENT SCHEME KNOWN AS INPRES PROGRAM UNDER WHICH KABOPATEN ADMINISTRATIONS REHAB OR BUILD FEEDER OR VILLAGE ROADS,

IRRIGATION SYSTEMS, PRODUCE MARKETS, OTHER INFRASTRUCTURE WITH AID OF ANNUAL BUDGET SUBSIDY; AIM TO CREATE EMPLOYMENT AND DEVELOP RURAL INFRASTRUCTURE. AREA OF PROJECT WITHIN HINTERLAND OF SURABAYA PORT INCLUDE IN UNDP PORTS STUDY FOR WHICH BANK ACTING AS EXECUTING AGENCY.

8. 1968-70 UNDP/IBRD HIGHWAY SERVICES CONSULTANCY (KAMPSAX-LOUIS BERGER, INC.) IDENTIFIED VARIOUS HIGH PRIORITY REHAB AND HIGHWAY MAINTENANCE PROJECTS SUITABLE FOR FOREIGN FINANCING WHICH LED TO 1969-1ST (\$28 MILLION) AND 1971 - 2ND (\$34 MILLION) IDA CREDITS FINANCING HIGHWAY REHAB AND CONSTRUCTION COUNTRYWIDE AND IN SUMATRA, FOLLOWED BY 1973 - \$14 MILLION IDA CREDIT FOR HIGHWAYS IN SULAWESI AND FURTHER TA INVOLVING ABOUT 2500 KM OF NATIONAL AND PROVINCIAL ROADS IN JAVA, SUMATRA, SULAWESI AND BALI. IN ADDITION, USAID PROVIDING \$11 MILLION FOR ROAD IMPROVEMENT IN SUMATRA; BANK FINANCING FEASIBILITY FOR SURABAYA-MALANG ROAD (ONE OF THOSE IDENTIFIED UNDER HIGHWAY SERVICES CONSULTANCY) BANK UNDER PREVIOUS TA; AND BANK FINANCING SURABAYA PORT DEVELOPMENT.

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P 030734Z OCT 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 7341

INFO AMEMBASSY JAKARTA PRIORITY

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FOR NAC AGENCIES

9. PROJECT AREA INCLUDES 3 OF 12 SUGAR FACTORIES BEING REHABED UNDER IDA CREDITS; CEMENT PLANT, FERTILIZER AND PETROCHEMICALS AT GRESIK, AS WELL AS ASPHALT, SODA, PAPER, TEXTILES AND FURNITURE PLANTS IN AND AROUND SURABAYA AND SEMARANG. BANK-FINANCED FIBER PROJECT WILL IMPACT ON SMALL HOLDERS WITHIN PROJECT AREA, WHICH ALSO INCLUDES 3 BAG FACTORIES; SIX OF 16 BANK RAKJAT INDONESIA BRANCHES RECEIVING ASSISTANCE UNDER ADB PROJECT ALSO LOCATED WITHIN AREA. TRAFFIC GROWTH IN AREA ESTIMATED TO BE 10 PERCENT/YR UNTIL 1980.

10. ALIGNMENT AND GEOMETRY OF PROVINCIAL ROADS GENERALLY CONSIDERED GOOD, WITH MAIN PROBLEMS IN NARROW PAVEMENT WIDTHS, POOR DRAINAGE, LACK OF HARD SHOULDERS; THIN PAVEMENT AND POOR FOUNDATION AND SUBGRADES INADEQUATE TO SUPPORT WHEEL AND AXLE LOADINGS OF MODERN VEHICLES.
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IMPROVEMENTS NEEDED ARE WIDENING, BASE STRENGTHENING, SHOULDER CONSTRUCTION, RESURFACING, IMPROVED DRAINAGE, REHAB OR REPLACEMENT OF BRIDGES, NEW ROAD CONSTRUCTION IN SOME SECTIONS.

11. TOTAL COST OF STUDY ESTIMATED AT \$415,000, OF WHICH FOREX PORTION OF \$270,000 TO BE FINANCED BY BANK WILL INCLUDE 29 MAN/MOS OF SERVICES. CONSULTANTS, COMPARING ALTERNATIVE TRANSPORT MODES, WILL PREPARE COST/BENEFIT ANALYSIS FOR OVERALL ROAD NETWORK UPGRADING AND DO DETAILED ENGINEERING, COST, TRAFFIC, ECONOMIC AND RELATED STUDIES TO DEVELOP OPTIMUM INVESTMENT PROGRAM FOR INCEPTION STAGE UP TO 1978/79. DIRECTORATE-GENERAL OF HIGHWAYS TO ASSIGN COUNTERPARTS, PROVIDE NEEDED LIAISON AND COORDINATION WITH OTHER AGENCIES TO ASSURE REQUISITE SOIL STUDIES, MAPS, SURVEYS, ETC. IF BANK LOAN IS APPROVED FOR RESULTING PROJECT, COST OF PROPOSED TA OVER \$100,000 WILL BE INCORPORATED IN SUCH LOAN. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION.

12. REQUEST U.S. MISSION JAKARTA COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DTD 3 JULY 1972.
SULLIVAN

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